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**THE BENEFITS OF EUROPEAN INTEGRATION
22 OCTOBER 2009, SARAJEVO, BOSNIA AND HERZEGOVINA**

**ADDRESS BY PHILIPPE DE BUCK
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Minister, Excellencies, Ladies and Gentlemen,

Let me start by saying what a pleasure it is to have been invited to your country and to visit the beautiful and historic city of Sarajevo. Sarajevo is, in some respects, a symbol of Europe; a city of rich history, a centre of commerce, a cultivated citizenry that speaks many languages but also tragically affected by past wars and divisions. Today, we in business are looking for a brighter future for our companies, for our workers and for our countries. On the European continent, that requires us to push the European integration project forward. Without a doubt, European integration brings economic and political stability which is the basis for growth and prosperity. But integration is not a top-down process driven from the European capital in Brussels. It is always driven by powerful state and civil actors in the nations of Europe. Today, I want to talk to you about how your country can engage with the EU and the role that your federation will need to play in this complex process.

Introduction:

I want to thank the Association of Employers of Bosnia and Herzegovina (the APBiH) and specifically Mr. Imamovic, Mr. Miljevic, and Mr. Baksic for giving me the opportunity to speak here today. I am happy to be here, on behalf of European business. BUSINESSEUROPE started out small and has grown significantly over the last 50 years to represent more than 20 million businesses. Today we bring together 40 federations in 34 countries. Each federation makes its unique contribution to our work in Brussels and more importantly, plays a leading role in the Europeanisation of their economy at national level by helping their companies take advantage of the huge opportunities of the Single Market.

This is why I am happy to be here in Sarajevo, a first, I believe, for any BUSINESSEUROPE Director General. This is, I hope, the start of a much deeper relationship between APBiH and its members and BUSINESSEUROPE. If you want to bring Bosnia and Herzegovina closer to Europe, your organization and its 15 members must engage deeply in the process of integration. This conference is a symbol for all companies in Bosnia and Herzegovina to start their integration into the EU marketplace.

**State of Play of Bosnia and Herzegovina's integration process:**

One of the most important recent advances has been the signing of the Stabilisation and Association Agreement (SAA) between Bosnia and Herzegovina and the EU in July 2008 which put your country firmly in the direction of Europe. Just a week ago, the European Commission published the 2009 progress report for Bosnia and Herzegovina. Though there is much to be done, there are positive steps being taken towards a brighter future. Although the Bosnian economy is still affected by the worldwide recession, the European Bank for Reconstruction and Development, the EBRD, projects a return to growth in 2010.

There are promising factors that should not be overlooked among the problems mentioned in the European Commission report, and there is a potential for accelerated growth throughout 2010 and into 2011. Bosnia and Herzegovina has an underused labour market, idle industrial capacity and strong domestic demand. There is a relatively strong financial system and good bilateral relations that can translate into stronger regional trade. But Bosnia and Herzegovina need to attract more investment to make the economy more dynamic and to achieve your aspirations.

Socio-economic problems persist

We cannot ignore the challenges however. According to the European Commission report, one of the main challenges is the reform of the structural rigidities: "high rates of social contributions, distorted wage-setting mechanisms, high and poorly targeted social transfers and low labour mobility continue to hamper job creation and labour market participation" in Bosnia and Herzegovina. These are issues that business federations can and should act on in a pro-active manner. This will ensure a better environment for business and a more flexible labour market that will unleash the industrial potential of Bosnia and Herzegovina.

There have been some promising reforms in the last few years to improve the business environment, such as simplifying obtaining construction permits and the registration of new buildings. The average time to start a business however, remains very high at 60 days. This must improve to increase economic efficiency, stimulate SME development and to attract more investment into the region. The state should focus much more on improving local economic governance to attract investment. A lot of work remains to be done by Bosnia and Herzegovina on the issue of governance, access to finance, fighting corruption and judicial reform. Additionally more needs to be done to improve the administrative rules governing the investment and business climate.

Your country must start tackling economic governance issues now to facilitate its rapprochement with the EU in the future. The earlier you get started the better for both sides.

Future EU Membership:



The road to European integration, and eventually EU membership, will be a challenging one. From the perspective of companies it will be a necessary road to travel on to improve the economy, to provide regional stability and to generally benefit the country.

Closer ties to the European Union will encourage economic growth by speeding up economic and political reforms based on the practices and expertise of other European countries that have acceded to the European Union. The benefits this has incurred on other EU members who have recently joined have been tremendous. Bosnia and Herzegovina stands to gain a great amount as well.

It will need to integrate its processes and methods more and more with those of the European Union. This will improve access to the EU market, make pre-accession funds eligible and prepare Bosnia and Herzegovina for eventual membership in the EU.

EU accession negotiations is a most challenging processes your country will ever engage in, covering 32 chapters in areas such as: agriculture, energy, health and safety at the workplace, investment rights and trade. The business community will have to support this process. APBiH must prepare itself and its company members for strong engagement and to prepare for full implementation of the new system of rules.

Business must be a leader on integration:

Your federation has a vital role to play in helping prepare business for closer economic integration with the EU. APBiH as a state-level employer organisation, founded in 2004 by the Federation of Bosnia and Herzegovina (UPFBiH), the federation of Republic of Srpska (ECRS) and the Union of Employers of district Brčko is well placed to unite the business community around this common objective.

APBiH should focus on getting the support of as many businesses and industries. Additionally, APBiH should garner support from local, regional and sectoral federations to bolster its representation. APBiH should become the voice of business. A strong employer federation needs to be present at the highest national level. This will allow APBiH to influence more effectively the decision makers.

Role of BUSINESSEUROPE

As you may note, BUSINESSEUROPE's expansion has consistently taken a proactive approach. I am proud to count many of your neighbour federations as members or associate members of BUSINESSEUROPE. Examples are the Bulgarian Industrial Association (BIA) in Bulgaria, Croatian Employers' Association (HUP) in Croatia, the Montenegrin Employers Federation, (UPCG) in Montenegro and the Association of Employers of Slovenia, (ZDS) in Slovenia. These and other federations all share the BUSINESSEUROPE vision of a strong Europe that fosters economic growth and jobs at both the EU and the national level. I hope that your federation will also share this vision and will adopt a firm commitment to press for a competitive Bosnian economy to prepare the ground for deeper integration with the EU.



To facilitate this work, BUSINESSEUROPE is actively engaged in an EU project to increase cooperation between national business federations. To improve the workings of the civil society, the European Commission has set aside funding to support the social partners, including employer federations. One example is through, the Instrument for Pre-Accession Assistance (IPA). BUSINESSEUROPE has significant experience with these types of programs and I am happy to report that BUSINESSEUROPE will be actively helping APBiH in the future. BUSINESSEUROPE has been awarded an IPA tender and will set up a new BOSMIP programme to aid Balkan employer organizations including APBiH in the coming months.

BOSMIP:

The BOSMIP programme, which stands for “Business Organisations as Single Market Integration Players”, is financed by the European Commission and run by BUSINESSEUROPE. We rely on the strong commitment of our existing national members to provide expertise and trainings to a number of countries in the Western Balkans, including Bosnia and Herzegovina. Our third BOSMIP project follows two successful projects that have taken place in 2004-2005 and 2007-2009. The project had as its main aim to strengthen the civil society and to exchange best practices with recently acceded EU member states. The EU 10 (Poland, Czech Republic, etc. in 2004-05 and Romania, Bulgaria, Turkey and Croatia in 2007-09). BOSMIP I and II were resounding successes and I look forward to sharing our members’ expertise with your federation in BOSMIP III, which will start in the beginning of 2010. We can use this project to leverage our expertise, your local knowledge and a shared commitment to deeper integration to move Bosnia and Herzegovina closer to the EU and to prepare the ground for bold economic reforms for business.

BUSINESSEUROPE also plays an important role as European social partner. Through the European social dialogue, we try to modernise labour markets and social systems. After all, employers and trade unions are well placed to find solutions that reconcile the interests of workers and companies. We have therefore developed projects, jointly with the European Trade Union Confederation, to help candidate countries to EU membership to play their role in the European social dialogue. The main objective is to help establishing a bipartite social dialogue, without government interference in all country of the EU. This is considered to be an important part of European governance and is required from any country aspiring for EU membership.

Conclusion:

The European Union has brought tremendous economic and political stability and growth to our economies. We have seen a Union increase from 15 to 27 members in a decade. Despite the economic crisis we have benefited enormously from the closer integration of our markets and indeed I believe this has stabilised our markets, rather than endangered them.

Closer integration as well as free and open markets brings great benefits to business. One of the most significant aspects of the European Union project is economic integration and the single market. I look forward to a closer cooperation between



BUSINESSEUROPE and APBiH and I believe we will be able to help you develop and prosper through the upcoming BOSMIP III programme.

Thank you for your attention and I wish you fruitful discussions today.

BUSINESSEUROPE - Top 10 issues for Bosnia and Herzegovina to improve on:

1. Improve bilateral relations with neighbouring countries
2. Increase privatisation of industries
3. Introduce more competition
4. Improve standardisation for free movement of goods
5. Reduce corruption
6. Improve public procurement rules
7. Stimulate financial sector development
8. Improve the functioning of market mechanisms
9. Improve customs
10. Improve intellectual, industrial and commercial property rights (IPR)